

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Notice of Market-Dominant
Price Adjustment

Docket No. R2013-10

CHAIRMAN'S INFORMATION REQUEST NO. 9 AND NOTICE OF FILING OF
NON-PUBLIC MATERIALS **(REDACTED)**

(Issued October 31, 2013)

To clarify the Postal Service's planned market dominant price adjustments in its Notice of Market Dominant Price Adjustment, filed September 26, 2013 (Notice), the Postal Service is requested to provide written responses to the following questions. Answers should be provided no later than November 5, 2013. A unredacted version of this Chairman's Information Request is being filed separately today.

1. The impetus for Chairman's Information Request (CHIR) No. 6, question 3, as posed, was uncertainty over the appropriate terminal dues rate, and the source of that rate, relied upon by the Postal Service in its calculations. Refer to the response to CHIR No. 6, question 3, where it states "The CY 2014 per kilogram rate is listed in Table 2.2 of IB Circular 111, dated July 1, 2013."
 - a. Please confirm that in Table 2.2, there are two combined rates: (1) the provisional CY 2014 combined rate of [REDACTED] SDR per kilogram, and (2) the CY 2014 base combined rate of [REDACTED] SDR per kilogram. If not confirmed, please explain.
 - b. Please confirm that the provisional CY 2014 combined rate of [REDACTED] SDR per kilogram is applicable to transition system countries that participate in the quality of service link measurement system, and the CY 2014 base combined rate of [REDACTED] SDR per kilogram is applicable to transition

countries that do *not* participate in the quality of service link measurement system. If not confirmed, please explain.

- c. Please explain why the Postal Service used the provisional CY 2014 quality of service linked combined rate of [REDACTED] SDR per kilogram for all transition system countries when all but three such countries do *not* participate in the quality of service link measurement system.
2. Refer to the response to CHIR No. 6, question 3, where it states “the provisional 2014 quality of service linked combined rate of [REDACTED] SDR per kilogram was used” in the CY 2014 Inbound Letter Post revenue calculations. Also refer to Postal Service Library Reference USPS-LR-R2013-10/NP1, Excel file Inbound CAPCALC-FCMI-R2013-10NP1.Rev.10.18.13.xls, worksheet tab Inbound FCMI Rates, Tables 6 and 7. The Postal Service appears to be using equivalent terminal dues rates for countries in both the new target system and the transition system, although the UPU shows each has different rates. Table 6 indicates that the CY 2014 provisional terminal dues rates applicable to designated operators from countries in the new target system are [REDACTED] SDR/Item and [REDACTED] SDR/Kg. Table 7 indicates that the CY 2014 combined provisional terminal dues rate applicable to designated operators in the transition system is [REDACTED] SDR/Kg. The CY 2014 rates in both tables can be found in IB Circular 111, dated July 1, 2013, Table 2.2, which is “applicable to mail flows from transition designated operators,” in the columns under the general heading “QS adjusted rate for 2014.”
- a. Please confirm that the CY 2014 quality of service adjusted rates of [REDACTED] SDR/Item and [REDACTED] SDR/Kg are equivalent to the CY 2014 quality of service adjusted combined rate of [REDACTED] SDR/Kg. If not confirmed, please explain.
 - b. Please explain why the Postal Service uses the CY 2014 quality of service adjusted rate of [REDACTED] SDR/Item and [REDACTED] SDR/Kg, applicable to

countries in the *transition* system, on Inbound Letter Post from countries in the *new target* system when calculating revenues.

- c. Refer to IB Circular 111, Table 1.2, which is “applicable to mail flows between designated operators in the target system as of 2010 and 2012 as well as between those operators and the designated operators in the target system prior to 2010.” Please confirm that the CY 2014 provisional terminal dues rates of [REDACTED] SDR/Item and [REDACTED] SDR/Kg, located in Table 1.2 in the columns under the general heading “Provisional QS linked TD rates in SDR for 2014” should be used in calculating revenues for Inbound Letter Post from countries in the *new target* system. If not confirmed, please explain.
3. Refer to Library Reference USPS-LR-R2013-10/NP1, Excel file Inbound CAPCALC-FCMI-R2013-10NP1.Rev.10.18.13.xls, worksheet tab Inbound FCMI Rates. Also, refer to the following table, which references the CY 2014 terminal dues rates for Inbound Letter Post presented by the Postal Service in worksheet tab Inbound FCMI Rates, Tables 5, 6 and 7, and CY 2014 terminal dues rates from UPU IB Circular 111, July 1, 2013.

		<u>Postal Service</u>		<u>UPU</u>		<u>UPU Source</u>
		<u>CY 2014</u>		<u>CY 2014</u>		
		<u>Terminal Dues</u>		<u>Terminal Dues</u>		
<u>UPU TD</u>	<u>TD Rate</u>	<u>SDR/</u>	<u>SDR/</u>	<u>SDR/</u>	<u>SDR/</u>	
<u>Rate System</u>	<u>Type</u>	<u>Item</u>	<u>Kg</u>	<u>Item</u>	<u>Kg</u>	
[A]	[B]	[C]	[D]	[E]	[F]	[G]
[a] Target	Provisional					IB Circular 111, Table 1.1
[b] New Target	Provisional					IB Circular 111, Table 1.2
[c] Transition	Provisional	na				IB Circular 111, Table 2.2
[d] Transition	Base	na	na	na		IB Circular 111, Table 2.2

The following questions seek to clarify the proper terminal dues rates applicable to Inbound Letter Post from countries in the target system, new target system, and transition system for purpose of calculating CY 2014 revenues.

- a. Table 5 shows the rates in cells [Ca] to [Da]. Please confirm that in Table 5, the CY 2014 provisional terminal dues rates in cells [Ea] to [Fa], which are applicable to countries in the UPU target system prior to 2010 that participate in the quality of service linked measurement system, should be used. If not confirmed, please explain.
- b. Table 6 shows the rates in cells [Cb] to [Db]. Please confirm that in Table 6, the CY 2014 provisional terminal dues rates in cells [Eb] to [Fb], which are applicable to countries joining the UPU target system in 2010 or 2012 that participate in the quality of service linked measurement system, should be used. If not confirmed, please explain.

- c. Table 7 shows the rates in cells [Cc] to [Dc]. Please confirm that in Table 7, the CY 2014 provisional terminal dues rates in cells [Ec] to [Fc], which are applicable to countries in the UPU transition system that elect to participate in the quality of service linked measurement system during CY 2014, should be used. If not confirmed, please explain.
- d. Please confirm that the CY 2014 provisional terminal dues rates in cells [Ec] to [Fc] are applicable to only three countries in the UPU transition system: [REDACTED], [REDACTED], and [REDACTED]. If not confirmed, please explain.
- e. Please confirm that the CY 2014 base terminal dues rate in cell [Fd] is applicable to countries in the UPU transition system that do *not* participate in the quality of service linked measurement system during CY 2014. If not confirmed, please explain.

By the Chairman.

Ruth Y. Goldway